

TREASURY NOTES

WINTER 1994

Office of Missouri State Treasurer Bob Holden

Putting Missouri First



Treasurer's Office Returns Record Amount of Unclaimed Property to Owners

A record \$3 million in "abandoned funds" was returned to the rightful owners last year by the State Treasurer's Unclaimed Property Division, while during the same period, the state took custody of a record \$11 million in additional unclaimed property.

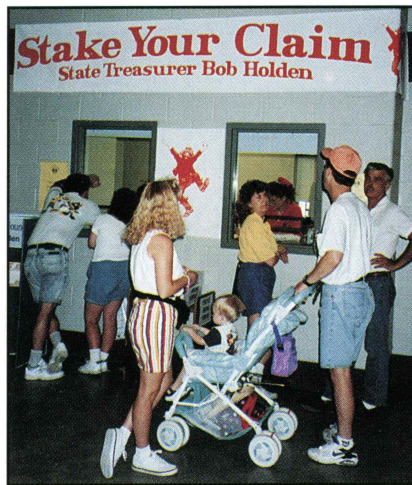
"The state treasurer's office operates Missouri's largest lost and found, and we're working hard to make more Missourians aware of our Unclaimed Property Division," said State Treasurer Bob Holden. "The record disbursements of unclaimed assets during the last fiscal year indicate that our efforts are paying off for the rightful owners of this property."

Holden said the state currently is holding about \$70 million in unclaimed property. Most of this property consists of abandoned cash from bank accounts, stocks, bonds, uncollected insurance policy proceeds, government refunds, and utility deposits. The state also receives the physical contents from about 1,000 abandoned bank safe deposit boxes each year.

By law, the property must be turned over to the state when the holders - primarily banks, businesses, insurance companies and public agencies - have had no contact or documented transactions with the owners for seven or more years.

Cash property is held in the state's Abandoned Fund Account forever.

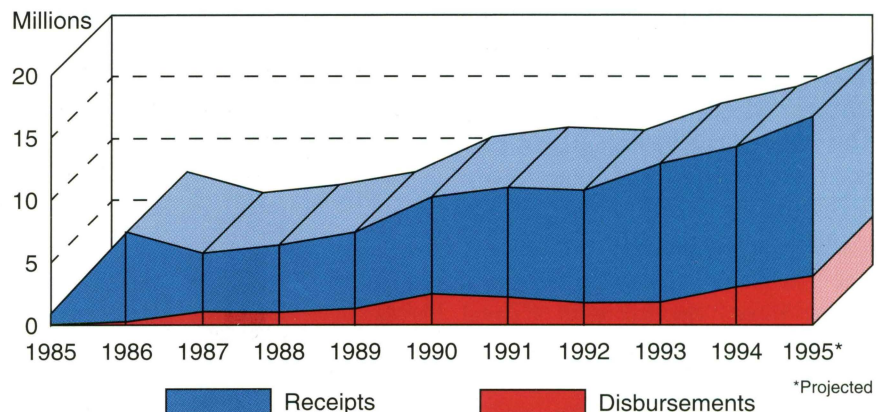
"There is no time limit for filing claims," Holden said. "We maintain unclaimed assets in trust for the rightful owners forever. With nearly 460,000 owner listings, statistically one in twelve Missourians has unclaimed property



Missouri State Fairgoers line up to check for unclaimed property.



Missouri teams with Kansas to find unclaimed property for visitors to the American Royal in Kansas City.



being held by the state."

Holden said the State Treasurer's Office is reaching out to find owners through guest appearances on "talk" radio and television shows and other media events. The office recently developed a portable unclaimed property computer, which it takes to fairs and shopping malls so that people can check to see if they have property in the custody of the state. The portable computer was "premiered" at the Missouri State Fair in Sedalia this

summer. Missouri also joined with the unclaimed property program in the Kansas state treasurer's office to operate a booth at the American Royal in Kansas City.

People can learn if they are the owners or heirs to unclaimed property by sending a list of the owners' names, addresses, Social Security numbers and previous addresses, if known, to: Missouri State Treasurer, Unclaimed Property Division, P.O. Box 1004, Jefferson City, MO 65102-1004.



MISSOURI FIRST in job creation

100 New Jobs for SW Missouri

MISSOURI FIRST linked deposits placed with Boatmen's Banks will assist two southwest Missouri firms with projects that will create 100 new jobs.

A \$1.5 million deposit will provide a low-cost loan to Leggett & Platt for expansion of two of its production facilities in Carthage. Forty new jobs will be created at the company's Cyclo Index Division, which manufactures motion control devices for industrial machinery. Another 30 jobs will be created at its Branch One operations, which produces a variety of components for manufacturers of finished bedding.

A \$500,000 deposit will be used by Classic Egg Products in Neosho for the purchase of machinery and equipment needed to reopen an egg breaking facility. The company will employ about 25-30 people to separate yolks from the whites of eggs, which are used in a variety of packaged food products such as cake mixes and mayonnaise.

Fredericktown Firms Add 46 Jobs

The MISSOURI FIRST Linked Deposit program is assisting in two separate expansions in Fredericktown that will create a total of 46 new jobs.

The treasurer's office placed a \$650,000 linked deposit with Capital Bank of Cape Girardeau to help Magnetic Collectables expand its production capacity in Fredericktown. The project will create 26 new jobs. The low-cost financing will be used for the purchase of machinery and equipment to expand the firm's production of novelty magnets.

The treasurer also placed \$288,000 with Commerce Bank in Clayton, which will provide a low-cost loan to Cap America for the purchase of new machinery and equipment to expand its production of headwear in Fredericktown. This expansion will create 20 new jobs.

40 New Jobs in Strafford

A MISSOURI FIRST linked deposit will help finance an expansion of Champion Products in Strafford that will create 40 new jobs.

A \$1 million linked deposit placed with Commerce Bank in Springfield will provide low-cost financing for the purchase of machinery and equipment to expand Champion's production capacity. The firm fabricates a variety of metal products, including telephone and cable television pedestals and food service equipment.

St. Louis Firm Creates 50 Jobs

Hermann Marketing Inc. will be expanding its operations in St. Louis and creating 50 new jobs with the help of a MISSOURI FIRST linked deposit. The treasurer's office placed \$1.25 million

with Commerce Bank of St. Louis, which will provide a low-cost loan to Hermann Marketing for new equipment, inventory and working capital.

The company is a marketing services agency that specializes in corporate identity merchandise programs.

20 New Jobs in K.C.

A \$500,000 linked deposit of state funds with Boatmen's First National Bank of Kansas City will provide low-cost financing to Miller Contract Supply for an expansion of its Kansas City operations.

The firm, which manufactures and distributes wood and metal casework, doors, trim and associated hardware, is consolidating a Kansas warehouse with its Kansas City facility in a move that will create 20 new jobs.



GETTING STARTED

MISSOURI FIRST linked deposits are helping create the next generation of farmers. The program is providing beginning farmers with up to \$250,000 in low-cost financing for the purchase of their first farms. State Treasurer Bob Holden joined Gary Marksberry (left), senior vice president of Community Bank of Pettis County, to announce linked deposits for beginning farmers Timothy Hardy (right) and Mr. and Mrs. Samuel Dove (center). So far, the MISSOURI FIRST beginning farmer program is helping about a dozen young farmers get started across the state.



Holden kicks off affordable housing projects

State Treasurer Bob Holden joined local officials and a private developer to kick off three affordable housing projects across the state.

Holden helped cut the ribbon that formally marked the opening of Abbey Orchard Apartments in Nixa, and participated in ground breakings for construction of affordable family housing projects in Holts Summit and Carrollton.

To keep rents affordable, the developer of all three projects is receiving low-cost financing through the Missouri Housing Development Commission's HOME Investment Partnership/Flood Relief program as well as low-income housing tax credits, which are administered by MHDC.

"These projects are the product of a mutually beneficial partnership between the state and a private developer that will fill a critical need for decent, safe, affordable housing in Missouri," said Holden, who also serves as chairman of MHDC. "Our experience in Missouri shows that the best way to meet the need for affordable housing is through this kind of public-private partnership."

An MHDC study shows that more than 146,000 Missouri families are in need of affordable housing assistance.

Each of the new developments consists of 48 rental units that include fully equipped kitchens, carpet, mini-blinds, air

conditioning and electric heat. The complexes also will have a playground, on-site laundry facilities and large community rooms.

The projects are being built by Fairway Construction Co. and will be managed by Fairway Management Inc. of Columbia, Mo.

"Everyone involved in the development of these projects comes out a winner," Holden said. "The state wins by encouraging development of a type of housing that is in short supply. The private developer wins by having the opportunity to build and manage attractive family housing complexes. And the communities win by helping meet a critical need for affordable family housing."



State Treasurer Bob Holden prepares to cut the ribbon formally opening the Abbey Orchard affordable family housing complex in Nixa. To keep rents affordable, MHDC provided low-cost financing and tax credits to the development company. Holden serves as chairman of MHDC.

MHDC was created in 1969 to assist in the creation of affordable housing for low and moderate income Missourians. Funds for MHDC are derived from the sale of tax-exempt housing bonds. MHDC has financed more than 60,000 units of affordable housing through the issuance of more than \$2.5 billion in housing bonds.

Alliance to boost low income home ownership

An innovative public-private partnership in St. Louis will work to stabilize targeted urban neighborhoods by providing an opportunity for home ownership to lower income families.

The St. Louis Regional Housing Alliance will match eligible low-income families to single family homes, which will be rehabilitated to meet local codes, be made energy efficient, and make all electrical, plumbing and mechanical systems long-term maintenance free. After a three-year lease period, the families will receive a 5 percent credit to apply to the sale price and assume all loans on the property.

The Missouri Housing Development Commission has set aside \$1.7 million in

low-cost financing to acquire and rehabilitate up to 40 homes. The May Department Stores Company Foundation has chipped in \$150,000 for start-up costs and St. Louis and St. Louis County have committed \$120,000 each in community development block grant money for the project.

"We look at this project as a model for the creation of successful, affordable housing throughout the state," said State Treasurer Bob Holden, who also serves as chairman of MHDC. "Maximizing public and private resources and requiring the financial and intellectual involvement of residents makes this a unique and worthwhile project."

During an initial 3-year lease period, the families will enroll in continuing education programs on family budgeting and home maintenance. The homes then will be sold to the families for no more than \$45,000 and they will assume mortgage loans being provided by three major St. Louis banks - Mercantile Bank, Boatmen's National Bank of St. Louis and Mark Twain Banks.

Families selected for participation will be first-time homebuyers with an annual income no greater than 50 percent of the area median, adjusted for family size. The program targets neighborhoods in northern parts of St. Louis city and county.

A note from the treasurer

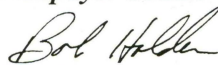
Dear Fellow Missourians,

I consider the State Treasurer's Office a public resource to be used as efficiently and effectively as possible for the benefit of all Missourians. The Treasurer's Office has nearly \$2 billion invested each day, making our investment division one of the most important operations in my office. I believe we should always be looking beyond today's markets for opportunities to maximize our returns on investments while ensuring their safety.

To make better use of our investable capital, the investment division has made several changes in its short-term philosophy to take advantage of higher yields on government bonds. Specifically, we've extended the maturities of many of our short-term investments to reap greater returns. These changes have increased the state's earnings by \$80,000 during the past three months alone.

We've also streamlined the office's short-term investment procedures, saving an estimated \$120,000 in transaction fees during fiscal 1994. In addition, we've begun using historical data to better calculate the demand for cash flow throughout state government. This has allowed us to shift some of the state's reserves from short-term investments to longer-term investments that produce higher yields.

The money we earn from investments goes into state general revenue to fund the many services Missourians depend on each and every day, like education, health care, and public safety. As the state's chief financial officer, I want to make sure that we are managing your state funds as effectively as possible to earn every cent we can on each taxpayer dollar.



Treasurers adopt resolutions on disclosure, code of conduct

For the first time, the National Association of State Treasurers (NAST) has approved a set of resolutions designed to improve disclosure and establish formal standards of ethical conduct between municipal bond firms and issuers of state debt.

Missouri State Treasurer Bob Holden chaired NAST's secondary markets and ethics subcommittee, which recommended the resolutions.

"It is time for everyone in the underwriting process to play by the same rules," Holden said. "The public and private sectors both need to bring their arrangements into the open in order to restore trust and confidence in the municipal securities marketplace."

The resolutions, approved at NAST's 1994 annual meeting in New Orleans, address issues raised by several scandals that have hit the municipal securities markets over the past two years.

The resolutions require that financial

professionals disclose all relationships by firms and between firms. Firms will be required to disclose to state treasurers any fee-splitting arrangements or joint accounts with other firms.

Another resolution will require firms to disclose the names of any persons, including attorneys, lobbyists or public relations professionals "engaged to promote the selection of the particular financial entities."

Failure to comply with all of the guidelines of this resolution will be grounds for immediate dismissal, disqualification from future financing, and other penalties established by the states, including fines.

The treasurers also approved a campaign finance reform resolution that requires state treasurers to disclose contributors' names, addresses, occupations and employers when making contributions of \$100 or more. They also adopted a formal code of conduct for state treasurers.

News Briefs

Holden elected to two leadership positions

Missouri State Treasurer Bob Holden recently was elected vice president, the highest ranking post, of the 12-state Midwestern Region of the National Association of State Treasurers (NAST) during its spring conference in Milwaukee. By virtue of this office, Holden also will serve on the executive committee of the national association.

The Missouri Housing Development Commission (MHDC) re-elected Holden as its chairman. The agency was created in 1969 to assist in the creation of decent, safe affordable housing for low and moderate income Missourians.

Holden pleased with state audit report

State Treasurer Bob Holden said a state audit report on two of his office's programs - MISSOURI FIRST linked deposits and Unclaimed Property - supports the changes he is making to improve their operations.

"When we took office in January 1993, we recognized many of the same problems that ultimately were identified in the audit report," Holden said. "We already have taken action to improve the operations and integrity of these programs, many of which mirror the recommendations in the audit report."

The audit recommended closer monitoring of the job creation portion of the MISSOURI FIRST program to ensure that companies actually create the jobs they've promised. Holden noted that his office has instituted about a dozen changes in the linked deposit program designed to monitor and ensure compliance by job creation participants. Holden said his office also concurs with the auditor's findings on the unclaimed property program, and is making many of the recommended improvements.

Legislature enhances MISSOURI FIRST, unclaimed property programs

The State Treasurer's Office will be able to provide greater assistance to small businesses and farmers under new legislation that enhances the MISSOURI FIRST linked deposit program.

The new legislation, which took effect August 28, increases from \$50,000 to \$100,000 the amount of state funds the state treasurer can place in Missouri banks to provide low-cost loans for small businesses and agricultural operations.

"One of the best investments we can make in Missouri's future is to help our small businesses and farmers in expanding or improving their operations," said State Treasurer Bob Holden. "I commend the General Assembly for its approval of House Bill 1681 to expand a program that currently is providing assistance to 1,800 small businesses and 3,500 farmers across the state."

The legislation also extends the length of time linked deposits for multi-family housing may be placed from one year to three years. The deposits can be used for projects that promote the stability of neighborhoods by preventing or correcting deterioration of existing multi-family units and that provide affordable housing for low and moderate income tenants.

Under the MISSOURI FIRST program, the treasurer places deposits of state funds in Missouri banks at below market rates, so that the banks can provide reduced-cost loans for job creation, small business, agriculture and affordable multi-family housing.

The treasurer is authorized to place \$350 million in the MISSOURI FIRST program, with \$165 million allocated for agriculture, \$55 million for small businesses, and \$10 million for affordable housing.

Holden said his office also has instituted new auditing procedures and policies to ensure that companies receiving job creation loans actually create the promised jobs, and to avoid any perception of conflicts of interest or political favoritism.

"We have made a dozen changes to improve accountability and integrity in



State Treasurer Bob Holden hosted a special reception in his office to meet newly elected legislators and welcome back veteran lawmakers. It also gave him the opportunity to thank lawmakers for their support of Treasurer's Office programs and introduce the directors of the office's major divisions, including operations, investments and unclaimed property.

the state's linked deposit program," Holden said. "I think our efforts to ensure integrity in the operation of our linked deposit program helped it gain the support and confidence of the General Assembly."

To be eligible for a small business deposit, a firm must have fewer than 25 employees. The linked deposit loans, which are made by participating financial institutions, may be used for operating capital, inventory, new equipment, and renovation or maintenance of equipment and facilities.

Established farmers and agri-businesses can receive linked deposit loans for production expenses or to refinance existing loans for such purposes. Late last year, the agriculture linked deposit program was expanded to include beginning farmers, who can receive up to \$250,000

for the purchase of real property such as land and equipment.

The legislature also enacted legislation to improve the state's unclaimed property program, which is located in the treasurer's office.

The unclaimed property measure, Senate Bill 757, requires more timely reporting of unclaimed property to the state by holders of the property. The new law also requires holders to attempt to locate owners within one year prior to reporting the property to the state, makes confidential certain information used to verify ownership, limits the fees asset recovery firms may charge heirs and requires holders to retain records necessary to verify ownership for five years from the time the property is turned over to the state.

Moving Up!

Entire community relocates out of flood plain

State Treasurer and MHDC Chairman Bob Holden joined community leaders in Rhineland to break ground for the nation's first relocation of an entire community due to the devastating 1993 floods. Residents of the Village of Rhineland whose homes are in the flood plain are relocating to lots on higher ground above the present community.

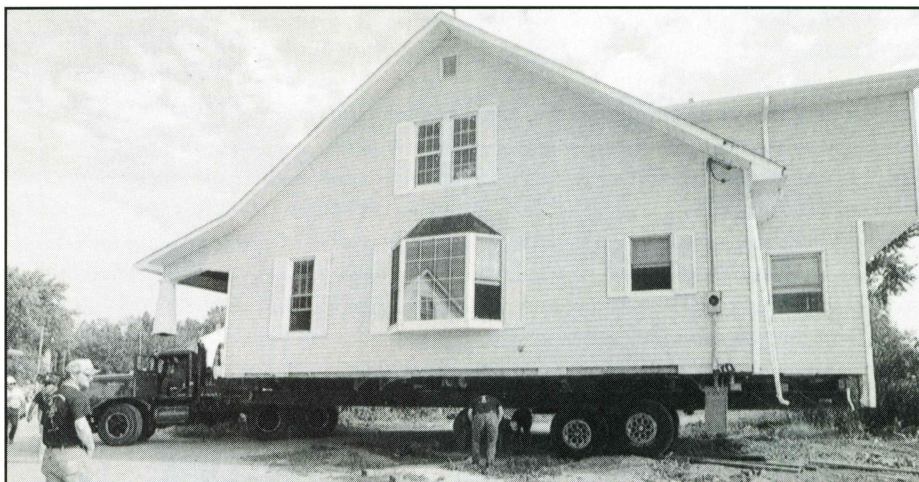
The homeowners deeded their present home sites in the flood plain to the village, which in turn exchanged them for lots on the higher ground. Residents selected their new home sites through a lottery method, in which they drew numbers and then selected from among the remaining available lots when their numbers were drawn at a special community-wide meeting.

The state is providing a grant for installation of infrastructure at the new homesites. MHDC is providing 15-year, 1% loans to help residents pour foundations for the relocation of intact existing structures as well as down payment assistance for those needing to build new homes.

"Rhineland is setting a precedent in mitigating damage done by floods: moving people permanently out of the flood plain while, at the same time, keeping their community intact," Holden told the residents.



Soon after a ground breaking at the new site of Rhineland, structurally sound houses were moved out of harms way to a hill above the flood plain.



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